

**International Finance Corporation**

**Financing for Private Sector Renewable Energy Projects**

Village Power '98 Conference  
Washington, DC  
October 8, 1998

**International Finance Corporation**

- + About IFC
- + IFC Financing for RE Projects

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**IFC is looking for high quality, private-sector renewable energy projects**

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**IFC - Basic Facts**

- \* Private sector affiliate of World Bank Group owned by 124 member governments
- \* Objective – Promote economic development through commercially viable, private-sector investments
- \* Largest multilateral source of loan and equity finance for private enterprises in developing countries
- \* In FY 1998, IFC approved US\$ 3.4 billion of investments in 308 projects

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**IFC's Role**



IFC acts as a catalyst to stimulate and mobilize private investment:

IFC investments	US\$ 3.4 billion
+ IFC syndication	US\$ 2.5 billion
+ Other funding sources	US\$ 9.8 billion
<b>Total project cost</b>	<b>US\$ 15.7 billion</b>

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**IFC Capabilities**



- Project finance
- Capital markets development
- Financial advisory work
- Project development facilities
- Special initiatives

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**IFC Investment Guidelines**



- Maximum 25% (35%) of project cost  
↳ Excludes funds raised from other sources
- Market pricing
  - ↳ Both flexible on final maturity and grace periods
- No Government guarantees
- Meet IFC and host country environmental guidelines

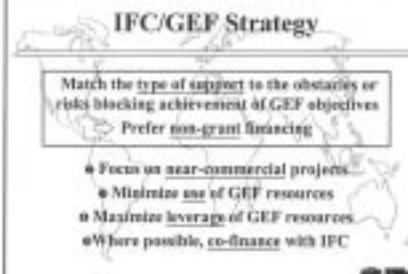
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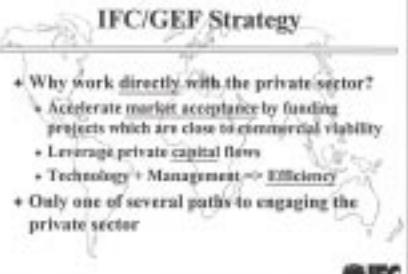
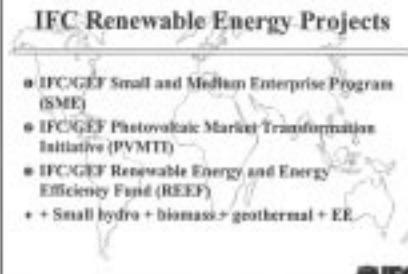
**IFC's Value Added**



- Direct funding with long-term staying power
- Catalyst for other investors and lenders  
↳ (→ post-concessional funding for RE projects)
- Honest broker/internal partner
  - ↳ Reassuring presence for joint venture partners and host Government
- Risk identification and mitigation

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 <h3>IFC/GEF Financing</h3> <ul style="list-style-type: none"> <li>* GEF Project Eligibility           <ul style="list-style-type: none"> <li>+ Meets GEF objective of mitigating climate change</li> </ul> </li>   <li>* GEF Funding Limits           <ul style="list-style-type: none"> <li>+ GEF only covers <u>incremental costs</u> associated with meeting GEF objective</li> </ul> </li> </ul> <p></p>	 <h3>IFC/GEF Strategy</h3> <ul style="list-style-type: none"> <li>Match the <u>type</u> of support to the obstacles or risks blocking achievement of GEF objectives           <ul style="list-style-type: none"> <li>➢ Prefer non-grant financing</li> </ul> </li>   <li>* Focus on <u>near-commercial projects</u> <ul style="list-style-type: none"> <li>➢ Minimize <u>use</u> of GEF resources</li> <li>➢ Maximize <u>leverage</u> of GEF resources</li> <li>➢ Where possible, co-finance with IFC</li> </ul> </li> </ul> <p></p>
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 <h3>IFC/GEF Strategy</h3> <ul style="list-style-type: none"> <li>* Why work <u>directly</u> with the private sector?           <ul style="list-style-type: none"> <li>➢ Accelerate market acceptance by funding projects which are close to commercial viability</li> <li>➢ Leverage private capital flows</li> <li>➢ Technology + Management =&gt; Efficiency</li> </ul> </li>   <li>* Only one of several paths to engaging the private sector</li> </ul> <p></p>	 <h3>IFC Renewable Energy Projects</h3> <ul style="list-style-type: none"> <li>* IFC/GEF Small and Medium Enterprise Program (SME)</li> <li>* IFC/GEF Photovoltaic Market Transformation Initiative (PVMTI)</li> <li>* IFC/GEF Renewable Energy and Energy Efficiency Fund (REEF)           <ul style="list-style-type: none"> <li>+ Small hydro + biomass + geothermal + EE</li> </ul> </li> </ul> <p></p>
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### Small and Medium Scale Enterprise Program

- + US\$ 21 million program to provide contingent, concessional loans to financial intermediaries (FIs) which then on-lend or invest in SMEs
- + FIs include both NGOs and commercial enterprises
- + Incentives for FIs to seek repayment from SMEs
- + 19 FIs selected to date; US\$ 4.3 M approved



### SME Program - Highlights

- + RE projects approved to date:
  - + Off-grid PV projects:
    - + Solar Desalination (through EESAP)
    - + Grameen Shakti, Bangladesh
    - + SELCO Vietnam
  - + 2 FIs providing EE services – CFL replacement in Egypt and ESCOs in north Africa and Central America
- + Considering several other RE projects and still accepting applications for new intermediaries



### Photovoltaic Market Transformation Initiative

- + Objective: To accelerate adoption of photovoltaic technology in India, Kenya and Morocco
- + Structure: US\$ 30 million GEF funding to be allocated by IFC to private companies on a competitive basis



### PVMTI - Highlights

- + Selection criteria:
  - + Meet GEF criteria
  - + Innovative market development
  - + Maximize leverage of GEF funds
  - + Cost-effectiveness (cost/Wp delivered)
  - + Local ownership by private sector
  - + Use of non-grant financing mechanisms
- + Status - Request for proposals issued Sept. 1998; initial deadline for submissions Dec. 1998





**Renewable Energy and Energy Efficiency Fund**

- + US\$ 50-200 million global investment fund providing both equity and debt
- + Target sectors: On-grid RE, off-grid RE and EE projects
- + Mid-sized projects < 50 MW
- + Additional US\$ 10-30 million in GEF funds for co-financing of projects and incremental fund manager costs

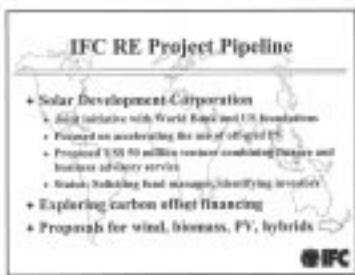
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**REEF - Highlights**

- + First fund focusing on RE/EE in emerging markets
- + Aims to open new markets and build credibility of the RE/EE sectors among sponsors, clients and financiers
- + Channeled selective GEF professional support only to projects that require assistance
- + Status – Fund raising underway

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**IFC RE Project Pipeline**

- + Solar Development Corporation
  - v. Joint initiative with World Bank and UN foundations
  - v. Focused on accelerating the use of off-grid RE
  - v. Proposed US\$ 50 million revenue consisting of finance and business advisory services
  - v. Status: Subsidy load mapping, identifying investors
- + Exploring carbon offset financing
- + Proposals for wind, biomass, PV, hybrids

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